

TOWN OF KIEFER, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2014

Ralph Osborn, CPA  
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500 South Chestnut  
Bristow, OK 74010-1015

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Board of Trustees  
Town of Kiefer, Oklahoma

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kiefer, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Kiefer's basic financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to error or fraud.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on our audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Kiefer as of June 30, 2013, and the respective changes in financial position - modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note A.

### Basis of Accounting

I draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

### Other Matters

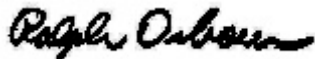
#### Other information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Kiefer, Oklahoma's basic financial statements. The combining and nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 17, 2014, on my consideration of Town of Kiefer's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Kiefer, Oklahoma's internal control over financial reporting and compliance.



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
September 17, 2014

TOWN OF KIEFER, OKLAHOMA  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2014

	Primary Government		
	Governmental	Business	
	Activities	Type	
	Activities	Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 292,565	\$ 742,098	\$ 1,034,663
Total current assets	<u>292,565</u>	<u>742,098</u>	<u>1,034,663</u>
Non-current assets:			
Capital assets			
Land	203,500	-	203,500
Other capital assets net of			
Accumulated depreciation	<u>1,062,970</u>	<u>900,163</u>	<u>1,963,133</u>
Total non-current assets	<u>1,266,470</u>	<u>900,163</u>	<u>2,166,633</u>
Total assets	<u>1,559,035</u>	<u>1,642,261</u>	<u>3,201,296</u>
LIABILITIES			
Current liabilities:			
Utility deposits	-	71,378	71,378
Lease obligations, current	16,121	3,428	19,549
Bonds, current	<u>70,000</u>	<u>-</u>	<u>70,000</u>
Total current liabilities	<u>86,121</u>	<u>74,806</u>	<u>160,927</u>
Non-current liabilities:			
Lease obligations, non-current	8,025	-	8,025
Bonds, non-current	<u>320,000</u>	<u>-</u>	<u>320,000</u>
Total non-current liabilities	<u>328,025</u>	<u>-</u>	<u>328,025</u>
Total liabilities	<u>414,146</u>	<u>74,806</u>	<u>488,952</u>
NET ASSETS			
Nonspendable	852,324	825,357	1,677,681
Restricted for			
Debt service	58,698	-	58,698
Assigned	211,726	742,098	953,824
Unassigned	<u>22,141</u>	<u>-</u>	<u>22,141</u>
Total net assets	<u>\$ 1,144,889</u>	<u>\$ 1,567,455</u>	<u>\$ 2,712,344</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF KIEFER, OKLAHOMA  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
YEAR ENDED JUNE 30, 2014

		Program Revenue			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue
Function/Programs					
Governmental activities					
General government	\$ 252,932	\$ 15,630	\$ -	\$ -	\$ (80,522)
Public safety	268,073	74,827	4,474	-	(153,246)
Parks and recreation	7,177	-	-	-	(7,177)
Street	27,541	-	-	-	(27,541)
Administration	6,000	-	-	-	(6,000)
Legal	14,150	-	-	-	(14,150)
Senior Citizens	375	-	-	-	(375)
Total governmental activities	576,248	90,457	4,474	-	(284,537)
Business-type activities					
Utility service	687,205	849,404	-	-	162,199
Total business-type activities	687,205	849,404	-	-	162,199
Total primary government	\$ 1,263,453	\$ 939,861	\$ 4,474	\$ -	\$ (122,338)

Primary Government		
Governmental Activities	Business-type Activities	Total

Changes in net assets:

Net (expense) revenue	\$ (284,537)	\$ 162,199	\$ (122,338)
General revenues			
Taxes			
Sales/Use	394,376	-	394,376
Franchise	56,566	-	56,566
Property	63,968	-	63,968
Other tax	31,099	-	31,099
Donations	14,555	-	14,555
Miscellaneous	12,541	-	12,541
Interest	621	2,079	2,700
Transfer	(156,780)	156,780	-
Total general revenue	416,946	158,859	575,805
Change in net assets	132,409	321,058	453,467
Net assets - beginning	1,012,480	1,246,397	2,258,877
Net assets - ending	\$ 1,144,889	\$ 1,567,455	\$ 2,712,344

The accompanying notes are an integral part of these financial statements.

TOWN OF KIEFER, OKLAHOMA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
MODIFIED CASH BASIS  
JUNE 30, 2014

	General Fund	Special Sales Tax	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 22,141	\$ 139,109	\$ 58,698	\$ 72,617	\$ 292,565
<b>TOTAL ASSETS</b>	<u>\$ 22,141</u>	<u>\$ 139,109</u>	<u>\$ 58,698</u>	<u>\$ 72,617</u>	<u>\$ 292,565</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>FUND BALANCES</b>					
Reserved for					
Debt service	-	-	58,698	-	58,698
Assigned	-	139,109		72,617	211,726
Unassigned	<u>22,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,141</u>
<b>TOTAL FUND BALANCES</b>	<u>22,141</u>	<u>139,109</u>	<u>58,698</u>	<u>72,617</u>	<u>292,565</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 22,141</u>	<u>\$ 139,109</u>	<u>\$ 58,698</u>	<u>\$ 72,617</u>	<u>\$ 292,565</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF KIEFER, OKLAHOMA  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
WITH THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2014

Total fund balance		\$ 292,565
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Amounts reported in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital assets	2,020,036	
Accumulated depreciation	<u>(753,566)</u>	1,266,470

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund. Long-term liabilities at year end consist of:

Bonds payable	(390,000)	
Lease payable	<u>(24,146)</u>	<u>(414,146)</u>

Total net assets		<u>\$ 1,144,889</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF KIEFER, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Special Sales Tax	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
Sales/Use tax	\$ 299,054	\$ 95,322	\$ -	\$ -	\$ 394,376
Franchise tax	56,566	-	-	-	56,566
Property tax	-	-	63,968	-	63,968
Other tax	31,099	-	-	-	31,099
Intergovernmental	161,254	40,000	-	-	201,254
Licenses and permits	15,630	-	-	-	15,630
Fire service	8,675	-	-	-	8,675
Fines and forfeitures	-	-	-	66,152	66,152
Donations	11,815	-	-	2,740	14,555
Miscellaneous	12,541	-	-	-	12,541
Interest	78	351	192	-	621
<b>Total revenue</b>	<u>596,712</u>	<u>135,673</u>	<u>64,160</u>	<u>68,892</u>	<u>865,437</u>
<b>Expenditures</b>					
Current					
General government	238,904	-	-	-	238,904
Public safety	176,489	93,137	-	23,054	292,680
Parks and recreation	3,992	-	-	140	4,132
Street	21,078	1,651	-	-	22,729
Administration	6,000	-	-	-	6,000
Legal	14,150	-	-	-	14,150
Senior Citizens	117	-	-	258	375
Debt service					
Bond principal paid	-	-	55,000	-	55,000
Interest and other charges	-	-	9,455	-	9,455
<b>Total expenditures</b>	<u>460,730</u>	<u>94,788</u>	<u>64,455</u>	<u>23,452</u>	<u>643,425</u>
<b>Excess (deficiency) of revenue Over expenditures</b>	<u>135,982</u>	<u>40,885</u>	<u>(295)</u>	<u>45,440</u>	<u>222,012</u>
<b>Other financing sources (uses)</b>					
Transfer in	30,000	-	-	5,750	35,750
Transfer out	(162,530)	-	-	(30,000)	(192,530)
<b>Net other financing sources (uses)</b>	<u>(132,530)</u>	<u>-</u>	<u>-</u>	<u>(24,250)</u>	<u>(156,780)</u>
<b>Net changes in fund balances</b>	3,452	40,885	(295)	21,190	65,232
<b>Fund balances, beginning</b>	<u>18,689</u>	<u>98,224</u>	<u>58,993</u>	<u>51,427</u>	<u>227,333</u>
<b>Fund balances, ending</b>	<u>\$ 22,141</u>	<u>\$ 139,109</u>	<u>\$ 58,698</u>	<u>\$ 72,617</u>	<u>\$ 292,565</u>

The accompanying notes are an integral part of these financial statements.





TOWN OF KIEFER, OKLAHOMA  
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND  
MODIFIED CASH BASIS  
JUNE 30, 2014

	<u>Public Works</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 742,098
Total current assets	<u>742,098</u>
Non-current assets	
Capital assets:	
Capital assets, net of accumulated depreciation	<u>900,163</u>
Total non-current assets	<u>900,163</u>
Total assets	<u>1,642,261</u>
<b>LIABILITIES</b>	
Current liabilities:	
Utility deposits	71,378
Lease obligation, current	<u>3,428</u>
Total current liabilities	<u>74,806</u>
Total liabilities	<u>74,806</u>
<b>NET ASSETS</b>	
Nonspendable	825,357
Assigned	<u>742,098</u>
Net assets of business-type activities	<u>\$1,567,455</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF KIEFER, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Natural gas	\$ 408,104
Wastewater charges	253,832
Sanitation charges	156,447
Tap fees	12,500
Penalty	18,155
Other	<u>366</u>
Total operating revenues	<u>849,404</u>
<u>OPERATING EXPENSES</u>	
Personal services	89,880
Natural gas and transportation	267,269
Sanitation contractor	135,428
Insurance	12,210
Materials and supplies	90,892
Other operating expenses	40,524
Depreciation	<u>50,871</u>
Total operating expenses	<u>687,074</u>
Operating income (loss)	<u>162,330</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Interest income	2,079
Interest expense	<u>(131)</u>
Total non-operating revenue (expenses)	<u>1,948</u>
<u>TRANSFERS</u>	
Transfer in	<u>156,780</u>
Total transfers	<u>156,780</u>
Change in net assets of business type activities	321,058
Total net assets, beginning	<u>1,246,397</u>
Total net assets, ending	<u>\$1,567,455</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF KIEFER, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2014

Cash flows from operating activities	
Cash received from customers	\$ 849,728
Cash payments to employees	(89,880)
Cash payments to suppliers for goods and services	<u>(546,323)</u>
Net cash provided (used) by operating activities	<u>213,525</u>
Cash flows from capital and related financing activities	
Transfers from other funds	156,780
Acquisition of fixed assets	(202,980)
Interest paid on notes payable and lease obligations	(131)
Principal paid on notes payable and lease obligations	<u>(8,065)</u>
Net cash used for capital and related financing activities	<u>(54,396)</u>
Cash flows from investing activities	
Interest revenue	<u>2,079</u>
Net cash provided by investing activities	<u>2,079</u>
Net increase in cash and cash equivalents	161,208
Cash and cash equivalents, beginning	<u>580,890</u>
Cash and cash equivalents, ending	<u><u>\$ 742,098</u></u>
Reconciliation of operating income (loss) to net cash provided by (used) by operating activities	
Operating income (loss)	\$ 162,330
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	50,871
Changes in assets and liabilities:	
Increase in Utility deposits	<u>324</u>
Net cash provided by operating activities	<u><u>\$ 213,525</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF KIEFER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Kiefer, Oklahoma, was incorporated in 1907 under the provisions of the laws of the State of Oklahoma. The Town operates under a Board of Trustees form of government and provides the following services: general government, public safety, public works, parks and recreation. The basic financial statements include the departments, agencies, and other organizational units over which the Board of Trustees exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and No. 39. Based on the criteria Kiefer Public Works Authority is the only component unit. The definition of the financial reporting entity is primarily based on the concept of financial accountability. The financial reporting entity consists of the primary government (the Town), and activities for which the primary government is financially accountable, and the activities of Kiefer Public Works Authority. Financial accountability exists if a primary government appoints a voting majority of an organizations governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, there are no other entities to include in the Town's financial statements.

Kiefer Public Works Authority was created May 25, 1967 under the provisions of Title 60, Sections 176 to 180, Oklahoma Statutes 1961. The Authority is managed by a Board of Trustees made up of members of the Town Board of Trustees. The Authority operates natural gas, sanitation, and sewer services for the Town of Kiefer.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

TOWN OF KIEFER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

#### Fund Financial Statements

Fund financial statements of the Town are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

#### Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the cash basis of accounting, is used as appropriate.

A. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

#### Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

TOWN OF KIEFER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are *not recorded* in these financial statements.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

General Fund - The General Fund reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Special Sales Tax - The fund reports the use of designated sales tax revenue.

Capital Projects Fund - This fund reports activity associated with the acquisition or construction of Town assets.

Proprietary Funds - The Town reports the following major enterprise funds:

Kiefer Public Works Authority - The Authority provides certain utility services for the Town.

Budgetary Accounting and Control

The Mayor submits an annual budget to the Board of Trustees in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for the Town operating funds. Once approved, the Board of Trustees may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budget and other planning documents to their respective governing bodies.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by sources. Expenditures are budgeted by department and class as follows: Personal services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the Board of Trustees. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Board approval. Revisions to the budget were made during the year.

TOWN OF KIEFER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

The budgets for the operating funds and proprietary fund operations are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual financial statements are reported on these bases. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Investments

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The investments reported in the financial statements consist of Certificates of Deposits.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are cancelled under the modified cash basis. The encumbrance is added to the subsequent year expenses when paid.

Inventories and Prepaids

Inventories and prepaids are not reported under the modified cash basis of accounting.

Capital Assets, Depreciation, and Amortization

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.



TOWN OF KIEFER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture , machinery, and equipment	3-30
Utility system	5-50

Compensated Absences

The Town does not report compensated absences under the modified cash basis of accounting.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2014, all of the Town's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$1,034,663 at June 30, 2014. The bank balance of the deposits at June 30, 2014 was approximately \$1,040,513.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2014.

TOWN OF KIEFER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitors the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2014, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

**NOTE C - ACCOUNTS RECEIVABLE**

The Town does not report accounts receivable under the modified cash basis of accounting.

The governmental funds have accrued sales tax, use tax, alcoholic beverage tax, franchise tax, and motor vehicle tax to be received in July.

**NOTE D - INTERFUND RECEIVABLES AND PAYABLES**

There were no interfund receivables or payables reported at June 30, 2014.

**NOTE E- CAPITAL ASSETS**

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS, DEPRECIATED				Capital Assets Not Depreciated
	Infrastructure & Improvements Other Than Buildings	Buildings	Furniture, Machinery, And Equipment	Totals	Land
<b>PRIMARY GOVERNMENT</b>					
Governmental Activities					
Balance, June 30, 2013	\$ 560,425	\$ 96,236	\$1,080,436	\$1,737,097	\$ 203,500
Increases	68,324	-	11,115	79,439	-
Decreases	-	-	-	-	-
Balance, June 30, 2014	<u>628,749</u>	<u>96,236</u>	<u>1,091,551</u>	<u>1,816,536</u>	<u>203,500</u>
Accumulated Depreciation					
Balance, June 30, 2013	211,948	46,326	412,908	671,182	
Increase	14,216	4,812	63,356	82,384	
Decreases	-	-	-	-	
Balance, June 30, 2014	<u>226,164</u>	<u>51,138</u>	<u>476,264</u>	<u>753,566</u>	
Governmental Activities Capital Assets, Net	<u>\$ 402,585</u>	<u>\$ 45,098</u>	<u>\$ 615,287</u>	<u>\$1,062,970</u>	<u>\$ 203,500</u>
Business-type activities					
Balance, June 30, 2013	\$ 19,948	\$1,190,309	\$ 154,664	\$1,364,921	\$ -
Increases	-	202,981	-	202,981	-
Decreases	-	-	-	-	-
Balance, June 30, 2014	<u>19,948</u>	<u>1,393,290</u>	<u>154,664</u>	<u>1,567,902</u>	<u>-</u>
Accumulated Depreciation					
Balance, June 30, 2013	8,720	552,480	55,668	616,868	
Increase	997	35,730	14,144	50,871	
Decreases	-	-	-	-	
Balance, June 30, 2014	<u>9,717</u>	<u>588,210</u>	<u>69,812</u>	<u>667,739</u>	
Business-type Activities Capital Assets, Net	<u>\$ 10,231</u>	<u>\$ 805,080</u>	<u>\$ 84,852</u>	<u>\$ 900,163</u>	<u>\$ -</u>
<b>PRIMARY GOVERNMENT</b>					
Capital Assets, Net	<u>\$ 412,816</u>	<u>\$ 850,178</u>	<u>\$ 700,139</u>	<u>\$1,963,133</u>	<u>\$ 203,500</u>

TOWN OF KIEFER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

DEPRECIATION EXPENSE

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
General government	\$ 14,028	Public works	\$ 50,871
Public Safety	60,499		
Streets	4,812		
Parks	3,045		

NOTE F - BONDS PAYABLE

State statutes prohibit the Town from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the Town's voters. A bond issue has been approved by the voters and issued by the Town for capital projects. General obligation bonds are required to be fully paid serially within 25 years or less from the date of issue.

General long-term debt of the Town consists of bonds payable and lease obligations. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

\$150,000 Building Bonds of 2006 on June 1, 2006.  
Annual principal payments of \$15,000 are due each  
June 1 from 2006 through 2015. The bonds have an  
interest rate which varies from 3% to 4%. \$ 30,000

\$400,000 General Obligation Bonds of 2012 on June  
1, 2012. Annual principal payments of \$15,000 are  
due each June 1 from 2012 through 2022. The bonds  
have an interest rate which varies from 1.3% to 3%. 360,000

Total bonds payable \$ 390,000

Principal and interest amounts due in future years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 70,000	\$ 7,120	\$ 77,120
2014	40,000	5,280	45,280
2015	40,000	4,760	44,760
2016	40,000	4,200	44,200
2017	40,000	3,600	43,600
2018-2022	<u>160,000</u>	<u>6,800</u>	<u>166,800</u>
Totals	<u>\$ 390,000</u>	<u>\$ 31,760</u>	<u>\$ 421,760</u>

TOWN OF KIEFER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE G - LEASE PURCHASE OBLIGATIONS

The Town has entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a clause which gives the Town the ability to terminate the lease agreements at the end of each fiscal year.

The schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, is as follows:

<u>Year Ended June 30</u>	<u>PWA Backhoe</u>	<u>Police Truck</u>	<u>Police Car</u>	<u>Total</u>
2015	\$ 4,165	\$ 9,160	\$ 8,554	\$ 21,879
2016	-	-	8,554	8,554
Total minimum lease payment	4,165	9,160	17,108	30,433
Less: Amount representing interest	737	567	1,555	2,859
Present value of future minimum lease payments	<u>\$ 3,428</u>	<u>\$ 8,593</u>	<u>\$ 15,553</u>	<u>\$ 27,574</u>

NOTE H - CONTRIBUTED CAPITAL

The Town records grants, entitlements, contributed fixed assets, or shared revenues received by its funds for operations, capital acquisition, and/or construction as contributed capital. Depreciation is recognized on assets acquired with these funds.

NOTE I - UTILITY DEPOSITS

The Authority recorded a liability of \$71,378 for customer utility deposits at June 30, 2014. The deposit is refundable upon termination of utility service.

NOTE J - PENSION OBLIGATIONS

The Town participates in two pension plans.

Oklahoma Firefighter's Pension and Retirement System

Town of Kiefer participates in two statewide, cost-sharing multiple-employer defined benefit plans on behalf of police officers and firefighters. The systems are administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

Oklahoma Police and Firefighter's Pension and Retirement Systems

<u>Eligibility to Participate</u>	<u>Oklahoma Firefighter's Pension And Retirement System</u>
	All full-time or voluntary Firefighters of a participating Municipality hired hired before age 45

TOWN OF KIEFER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

Authority establishing contribution obligations and benefit provisions	State Statute
Plan members' contribution rate	8% of covered payroll
Town's contribution rate	13% of covered payroll/\$60 per volunteer
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 ½% Of final average salary multiplied By the years of credited service with A maximum of 30 years considered; If vested, at or after age 50, or After 10 but before 20 years of Credited service, with reduced benefits
Benefits and eligibility for distribution (Volunteer)	20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option	Yes, 20 years credited service with Continued service for 30 or more years
Provisions for:	
Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes
Disability	Yes
Cost of living allowances	Yes

Contributions required by State Statute:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2014	\$ 1,200	100%
2013	1,080	100%
2012	960	100%

Oklahoma Municipal Retirement Fund

The Town allows employees to participate in Oklahoma Municipal Retirement Fund, a defined contributions plan. The plan is funded by contributions from participants and employees. The following is a summary of eligibility factor, contribution methods, and benefit provision:

Oklahoma Municipal Retirement Fund

Eligibility	All regular, full-time employees except police, firefighters and other employees who are covered under an approved system.
Employer contributions	6.46% of pay.
Employee contributions	3% of pay.
Service	
Credited Service	The last period of continuous employment with the employer excluding any periods before the effective date of the plan specified in the adoption agreement.

TOWN OF KIEFER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

Vesting	Credited service plus transferred service from other OMRF employees.
Benefit Eligibility	5 or more years of vesting service.
Final Average Compensation	The average of the 5 highest consecutive annual salaries out of the last 10 years of service.
Accrued Benefit	Plan A 1.5% of final average compensation multiplied by the number of years of credited service.
Normal Retirement Age	Age 65 with 5 or more years of vesting service.
Normal Retirement Eligibility	Termination of employment on or after normal retirement age.
Benefit	The accrued benefit payable immediately.
Early Retirement Eligibility	Termination after age 55 with 5 or more years of vesting.
Benefit	The accrued benefit payable starting at normal retirement, or the accrued benefit reduced 5% per year for commencement prior to normal retirement age.
Disability Retirement Eligibility	Total and permanent disability after 5 or more years of service.
Benefit	The accrued benefit is payable upon disablement without Reduction for early payment.
Termination Before Retirement Age	
Before Vesting	Return of employee contributions with interest.
After Vesting	The accrued benefit payable starting at age 65, or a reduced benefit payable at an early retirement age.
In-service Death	
Before vesting	Return of member contributions with interest.
After vesting (married participants only)	50% of the accrued benefit is payable to the spouse until death or remarriage.
After Vesting (other participants)	50% of the accrued benefit is payable for 60 months certain.
Payment Options	
Normal form	The normal form of payment of the accrued benefit is a monthly lifetime annuity with 5 years certain.
Optional forms	Disability retirement benefits are paid only under the normal form.  Other retirement benefits are available under actuarially Equivalent optional forms: - Joint and 50% survivor annuity - Joint and 66-2/3rds last survivor annuity - Joint and 100% survivor annuity

TOWN OF KIEFER, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

Cost of Living                                      No cost of living option.

Three years contributions schedule as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	
	<u>Employee</u>	<u>Employer</u>
2014	\$ 2,343	\$ 5,488
2013	-	-
2012	-	-

**NOTE K - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE L - LITIGATION**

The Town is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Town. The Town retains legal council for legal proceedings. The Town may also be represented by attorneys retained by its insurance carrier.

**NOTE M - FEDERAL AND STATE GRANTS**

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

**NOTE N - SUBSEQUENT EVENTS**

The Town management evaluated subsequent events through September 17, 2014, the date which the financial statements were available, to determine if any items need to be disclosed.

The Kiefer Public Works Authority was approved for a loan through the Oklahoma Water Resources Board (OWRB) for Wastewater Treatment System Improvements for the amount of \$664,215. As of June 30, 2014, the Authority had not drawn down any of the funds.

TOWN OF KIEFER, OKLAHOMA  
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

	<u>Special Police</u>	<u>Park</u>	<u>Special Fire</u>	<u>Court</u>	<u>Senior Citizens</u>	<u>Total Nonmajor Funds</u>
ASSETS						
Cash and cash equivalents	\$ 357	\$ 243	\$ 21,608	\$ 47,977	\$ 2,432	\$ 72,617
TOTAL ASSETS	<u>\$ 357</u>	<u>\$ 243</u>	<u>\$ 21,608</u>	<u>\$ 47,977</u>	<u>\$ 2,432</u>	<u>\$ 72,617</u>
LIABILITIES AND FUND BALANCES						
FUND BALANCES						
Assigned	<u>357</u>	<u>243</u>	<u>21,608</u>	<u>47,977</u>	<u>2,432</u>	<u>72,617</u>
TOTAL FUND BALANCES	<u>357</u>	<u>243</u>	<u>21,608</u>	<u>47,977</u>	<u>2,432</u>	<u>72,617</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 357</u>	<u>\$ 243</u>	<u>\$ 21,608</u>	<u>\$ 47,977</u>	<u>\$ 2,432</u>	<u>\$ 72,617</u>

The accompanying notes are an integral part of these financial statements.



TOWN OF KIEFER, OKLAHOMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2014

	Special Police	Park	Special Fire	Court	Senior Citizens	Total Nonmajor Funds
REVENUES						
Fines and forfeits	\$ -	\$ -	\$ -	\$ 66,152	\$ -	\$ 66,152
Donations	-	-	50	-	2,690	2,740
TOTAL REVENUES	-	-	50	66,152	2,690	68,892
EXPENDITURES						
Current						
Park	-	140	-	-	-	140
Public safety	-	-	17,081	5,973	-	23,054
Senior citizens	-	-	-	-	258	258
TOTAL EXPENDITURES	-	140	17,081	5,973	258	23,452
Excess of revenues over (under) expenditures	-	(140)	(17,031)	60,179	2,432	45,440
Other financing sources (uses)						
Transfer in	-	-	5,750	-	-	5,750
Transfer out	-	-	-	(30,000)	-	(30,000)
Total other financing sources (uses)	-	-	5,750	(30,000)	-	(24,250)
Net change in fund balances	-	(140)	(11,281)	30,179	2,432	21,190
Fund balances, beginning	357	383	32,889	17,798	-	51,427
Fund balances, ending	<u>\$ 357</u>	<u>\$ 243</u>	<u>\$ 21,608</u>	<u>\$ 47,977</u>	<u>\$ 2,432</u>	<u>\$ 72,617</u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the Town Council  
Town of Kiefer  
Kiefer, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Kiefer, Oklahoma, modified cash basis, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Kiefer's basic financial statements and have issued my report thereon dated September 17, 2014 which did not include Management's Discussion and Analysis or Budgetary Comparison.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Town of Kiefer's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Kiefer's internal control. Accordingly, I do not express an opinion of the effectiveness of Town of Kiefer's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

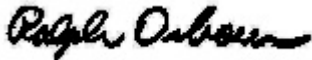
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Kiefer, Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
September 17, 2014